

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Vanderbilt	County Otsego
Audit Date March 31, 2004	Opinion Date May 14, 2004	Date Accountant Report Submitted to State: May 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

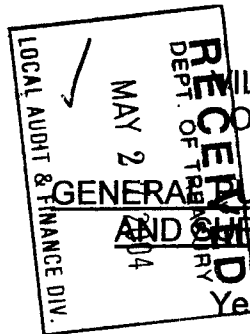
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			



VILLAGE OF VANDERBILT
Otsego County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

VILLAGE OF VANDERBILT
Otsego County, Michigan

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Independent Auditor's Report		1
General Purpose Financial Statements:		
Combined Balance Sheet – All Fund Types and Account Groups	A	2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types	B	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	C	4
Combined Statement of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types	D	5
Combined Statement of Cash Flows – All Proprietary Fund Types	E	6
Notes to Financial Statements		7-13
Supplementary Information:		
General Fund Expenditures by Detailed Account	F	14-15
Combining Balance Sheet – All Special Revenue Funds	G	16
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – All Special Revenue Funds	H	17

CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

May 14, 2004

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the accompanying general purpose financial statements of the Village of Vanderbilt, Otsego County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Vanderbilt's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Vanderbilt, Otsego County, Michigan, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Vanderbilt, Otsego County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.
CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Account Group</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Internal Service</u>	<u>General Fixed Assets</u>
<u>Assets</u>				
Cash in bank	89 364 76	195 784 68	134 146 54	-
Taxes receivable	4 653 33	-	-	-
Due from State of Michigan	-	13 598 12	-	-
Land and improvements	-	-	-	133 184 67
Buildings	-	-	-	109 345 00
Machinery and equipment	-	-	-	27 594 26
Office furniture and equipment	-	-	-	19 095 01
Vehicles and equipment	-	-	260 535 77	-
Accumulated depreciation	-	-	(190 884 86)	-
Total Assets	<u>94 018 09</u>	<u>209 382 80</u>	<u>203 797 45</u>	<u>289 218 94</u>
<u>Liabilities and Fund Equity</u>				
Liabilities	-	-	-	-
Fund equity:				
Investment in general fixed assets	-	-	-	289 218 94
Retained earnings:				
Unreserved	-	-	203 797 45	-
Fund balances:				
Unreserved:				
Undesignated	<u>94 018 09</u>	<u>209 382 80</u>	<u>-</u>	<u>-</u>
Total fund equity	<u>94 018 09</u>	<u>209 382 80</u>	<u>203 797 45</u>	<u>289 218 94</u>
Total Liabilities and Fund Equity	<u>94 018 09</u>	<u>209 382 80</u>	<u>203 797 45</u>	<u>289 218 94</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

419 295 98

4 653 33

13 598 12

133 184 67

109 345 00

27 594 26

19 095 01

260 535 77

(190 884 86)

796 417 28

-

289 218 94

203 797 45

303 400 89

796 417 28

796 417 28

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

EXHIBIT B

Year Ended March 31, 2004

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	67 863 95	8 387 68	76 251 63
State revenue sharing	59 475 00	70 931 23	130 406 23
Interest	1 719 77	3 995 85	5 715 62
Rents	1 400 00	-	1 400 00
Miscellaneous	<u>9 300 43</u>	<u>1 129 37</u>	<u>10 429 80</u>
Total revenues	<u>139 759 15</u>	<u>84 444 13</u>	<u>224 203 28</u>
Expenditures:			
General government:			
General government	38 224 00	-	38 224 00
Building and grounds	8 024 77	-	8 024 77
Public safety:			
Police protection	99 54	-	99 54
Fire protection	26 600 00	-	26 600 00
Public works:			
Highways and streets	38 162 56	600 00	38 762 56
Routine maintenance	-	53 244 44	53 244 44
Winter maintenance	-	22 379 29	22 379 29
Recreation and culture:			
Parks and recreation	4 157 51	-	4 157 51
Other functions:			
Other functions	18 265 98	-	18 265 98
Capital outlay	<u>7 112 00</u>	<u>-</u>	<u>7 112 00</u>
Total expenditures	<u>140 646 36</u>	<u>76 223 73</u>	<u>216 870 09</u>
Excess (deficiency) of revenues over expenditures	(887 21)	8 220 40	7 333 19
Fund balances, April 1	<u>94 905 30</u>	<u>201 162 40</u>	<u>296 067 70</u>
Fund Balances, March 31	<u>94 018 09</u>	<u>209 382 80</u>	<u>303 400 89</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

EXHIBIT C

Year Ended March 31, 2004

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	78 810 00	67 863 95	(10 946 05)
State revenue sharing	58 000 00	59 475 00	1 475 00
Interest	4 500 00	1 719 77	(2 780 23)
Rents	-	1 400 00	1 400 00
Miscellaneous	1 800 00	9 300 43	7 500 43
Total revenues	<u>143 110 00</u>	<u>139 759 15</u>	<u>(3 350 85)</u>
Expenditures:			
General government:			
General government	60 183 00	38 224 00	(21 959 00)
Building and grounds	8 325 74	8 024 77	(300 97)
Public safety:			
Police protection	245 00	99 54	(145 46)
Fire protection	26 600 00	26 600 00	-
Public works:			
Highways and streets	43 900 00	38 162 56	(5 737 44)
Routine maintenance	-	-	-
Traffic services	-	-	-
Winter maintenance	-	-	-
Recreation and culture:			
Parks and recreation	10 524 26	4 157 51	(6 366 75)
Other functions:			
Other functions	18 512 00	18 265 98	(246 02)
Capital outlay	8 810 00	7 112 00	(1 698 00)
Total expenditures	<u>177 100 00</u>	<u>140 646 36</u>	<u>(36 453 64)</u>
Excess (deficiency) of revenues over expenditures	(33 990 00)	(887 21)	33 102 79
Fund balances, April 1	<u>33 990 00</u>	<u>94 905 30</u>	<u>60 915 30</u>
Fund Balances, March 31	<u>-</u>	<u>94 018 09</u>	<u>94 018 09</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
8 810 00	8 387 68	(422 32)
65 000 00	70 931 23	5 931 23
6 800 00	3 995 85	(2 804 15)
-	-	-
<u>-</u>	<u>1 129 37</u>	<u>1 129 37</u>
<u>80 610 00</u>	<u>84 444 13</u>	<u>3 834 13</u>
-	-	-
-	-	-
-	-	-
-	-	-
600 00	600 00	-
60 796 31	53 244 44	(7 551 87)
1 500 00	-	(1 500 00)
26 903 69	22 379 29	(4 524 40)
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>89 800 00</u>	<u>76 223 73</u>	<u>(13 576 27)</u>
(9 190 00)	8 220 40	17 410 40
<u>9 190 00</u>	<u>201 162 40</u>	<u>191 972 40</u>
<u>-</u>	<u>209 382 80</u>	<u>209 382 80</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES

EXHIBIT D

Year Ended March 31, 2004

	<u>Total</u> <u>Proprietary</u> <u>Fund Type</u> <u>Internal</u> <u>Service</u>
Operating revenues:	
Charges for services	39 093 39
Total operating revenues	<u>39 093 39</u>
Less operating expenses:	
Supplies	3 006 08
Repairs and maintenance	1 003 04
Total operating expenses before depreciation	<u>4 009 12</u>
Operating income (loss) before depreciation	35 084 27
Less: depreciation	<u>(16 841 09)</u>
Operating income (loss)	<u>18 243 18</u>
Nonoperating income (expense):	
Interest income	2 216 49
Interest expense	(90 20)
Net nonoperating income (expense)	<u>2 126 29</u>
Net income (loss)	20 369 47
Retained earnings, April 1	<u>183 427 98</u>
Retained Earnings, March 31	<u>203 797 45</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINED STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPES EXHIBIT E
Year Ended March 31, 2004

	<u>Total Proprietary Fund Type Internal Service</u>
Cash flows from operating activities:	
Cash received from customers	39 093 39
Cash payments to suppliers for goods and services	<u>(4 009 12)</u>
Net cash provided (used) for operating activities	<u>35 084 27</u>
Cash flows from non-capital and related financing activities:	
Increase (decrease) in due from other funds	<u>(584 04)</u>
Net cash provided (used) for non-capital and related financing activities	<u>(584 04)</u>
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	(11 099 00)
Principal paid on bonds and contracts	(38 954 79)
Interest paid on bonds and contracts	<u>(90 20)</u>
Net cash provided (used) for capital and related financing activities	<u>(50 143 99)</u>
Cash flows from investing activities:	
Interest income	<u>2 216 49</u>
Net cash provided (used) for investing activities	<u>2 216 49</u>
Net increase (decrease) in cash and cash equivalents	(13 427 27)
Cash and cash equivalents, April 1	<u>147 573 81</u>
Cash and Cash Equivalents, March 31	<u>134 146 54</u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	18 243 18
Depreciation	<u>16 841 09</u>
Net Cash Provided (Used) for Operating Activities	<u>35 084 27</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Vanderbilt, Otsego County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Village contain all the Village funds and account groups that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Vanderbilt. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Internal Service Fund

This fund is used to record the financing of goods or services provided by the local unit to other departments and funds or to other governmental units on a cost reimbursement basis.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statement presents revenues and expenses in net total assets. The accrual basis of accounting is utilized by the proprietary fund type. Under this basis of accounting revenues are recognized when earned and expenses are recognized when the related liability is incurred.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 before they are added to the county tax rolls. The Village 2003 tax roll millage rate was 8.6414 mills and the taxable value was \$8,829,794.00.

Fixed Assets and Depreciation

Purchases of general fixed assets for all funds, other than the Internal Service Fund, are recorded as expenditures in the respective funds at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems. Gifts or contributions are recorded in general fixed assets at fair market value at the time received. No depreciation has been provided on these general fixed assets.

Fixed assets in the Internal Service Fund are stated at cost. Additions, improvements and major replacements are capitalized at cost. Maintenance, repairs and minor replacements are charged to expense as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchase of materials are reflected in expenses when paid in all funds.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the functional level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Postemployment Benefits

The Village provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>419 295 98</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>324 326 90</u>
Total Deposits	<u>424 326 90</u>

The Village of Vanderbilt did not have any investments as of March 31, 2004.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	130 196 67	2 988 00	-	133 184 67
Buildings	109 345 00	-	-	109 345 00
Machinery and equipment	27 594 26	-	-	27 594 26
Office furniture and equipment	<u>14 971 01</u>	<u>4 124 00</u>	<u>-</u>	<u>19 095 01</u>
Totals	<u>282 106 94</u>	<u>7 112 00</u>	<u>-</u>	<u>289 218 94</u>

Note 4 – Note Payable

On May 23, 2001, the Village obtained a loan in the amount of \$59,331.00 to finance the purchase of a 2001 Case wheel loader. The loan is repayable in sixty monthly payments, beginning June 22, 2001, in the amount of \$1,100.97 including interest at the rate of 4.25% per annum. The outstanding principal balance of \$38,954.79 was paid off during the year.

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Pension Plan

The Village has a defined contribution pension plan covering the Village's full time employee. For the fiscal year ended March 31, 2004, the Village paid \$1,000.00 into the pension plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF VANDERBILT
Otsego County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 8 – Building Permits

The Village of Vanderbilt does not issue building permits. Building permits are issued by the County of Otsego.

Note 9 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF VANDERBILT
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year Ended March 31, 2004

EXHIBIT F

Page 1

General government:

Village Council:

Wages	5 400 00
Office supplies	1 483 65
Printing and publishing	2 269 40
Professional services	7 075 20
Community promotion	155 25
Memberships and dues	886 50

President:

Wages	1 830 00
Miscellaneous	71 99

Elections:

Miscellaneous	1 457 67
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Clerk:

Wages	8 000 00
Miscellaneous	68 30

Treasurer:

Salary	4 250 00
Miscellaneous	235 98

Planning Commission

4 140 06

Zoning Administrator

900 00

38 224 00

Building and grounds:

Supplies	214 80
Telephone	1 668 66
Utilities	4 678 97
Repairs and maintenance	1 028 94
Miscellaneous	433 40
	<u>8 024 77</u>

Police protection:

Wages	<u>99 54</u>
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Fire protection:

Vanderbilt/Corwith Fire Department	<u>26 600 00</u>
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Highways and streets:

Public works:

Wages	14 039 26
Pension	1 000 00
Hospital insurance	3 866 10
Contracted services – sanitation	4 180 00
Equipment rental	5 340 42

VILLAGE OF VANDERBILT
Otsego County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT F
Page 2

Highways and streets: (continued)

Street lighting	9 017 92
Miscellaneous	<u>718 86</u>
	<u>38 162 56</u>

Parks and recreation:

Wages	1 227 00
Operating supplies	98 99
Utilities	447 98
Repairs and maintenance	308 00
Equipment rental	<u>2 075 54</u>
	<u>4 157 51</u>

Other functions:

Insurance	14 486 00
Payroll taxes	<u>3 779 98</u>
	<u>18 265 98</u>

Capital outlay	<u>7 112 00</u>
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Total Expenditures	<u><u>140 646 36</u></u>
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VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT G
March 31, 2004

	<u>M.V.H. Major Street</u>	<u>M.V.H. Local Street</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	155 230 94	40 553 74	195 784 68
Due from State of Michigan	<u>9 429 84</u>	<u>4 168 28</u>	<u>13 598 12</u>
Total Assets	<u>164 660 78</u>	<u>44 722 02</u>	<u>209 382 80</u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>164 660 78</u>	<u>44 722 02</u>	<u>209 382 80</u>
Total fund balances	<u>164 660 78</u>	<u>44 722 02</u>	<u>209 382 80</u>
Total Liabilities and Fund Balances	<u>164 660 78</u>	<u>44 722 02</u>	<u>209 382 80</u>

VILLAGE OF VANDERBILT
Otsego County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT H
Year Ended March 31, 2004

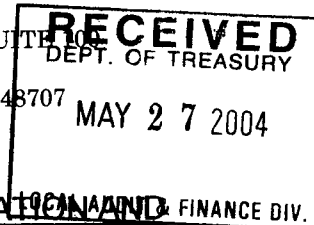
	<u>M.V.H. Major Street</u>	<u>M.V.H. Local Street</u>	<u>Total</u>
Revenues:			
Property taxes	-	8 387 68	8 387 68
State revenue sharing	49 588 53	21 342 70	70 931 23
Interest	3 064 45	931 40	3 995 85
Miscellaneous	<u>-</u>	<u>1 129 37</u>	<u>1 129 37</u>
Total revenues	<u>52 652 98</u>	<u>31 791 15</u>	<u>84 444 13</u>
Expenditures – Public works:			
Administration	300 00	300 00	600 00
Routine maintenance:			
Wages	3 289 00	2 274 50	5 563 50
Supplies/maintenance	1 331 05	813 75	2 144 80
Contracted supplies	15 316 33	13 987 80	29 304 13
Equipment rental	8 513 23	7 718 78	16 232 01
Winter maintenance:			
Wages	2 740 13	2 963 25	5 703 38
Contracted services	2 231 49	-	2 231 49
Equipment rental	<u>8 119 19</u>	<u>6 325 23</u>	<u>14 444 42</u>
Total expenditures	<u>41 840 42</u>	<u>34 383 31</u>	<u>76 223 73</u>
Excess (deficiency) of revenues over expenditures	10 812 56	(2 592 16)	8 220 40
Fund balances, April 1	<u>153 848 22</u>	<u>47 314 18</u>	<u>201 162 40</u>
Fund Balances, March 31	<u>164 660 78</u>	<u>44 722 02</u>	<u>209 382 80</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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BAY CITY, MICHIGAN 48707



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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

May 14, 2004

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

We have audited the financial statements of the Village of Vanderbilt, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Vanderbilt in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Village Council
Village of Vanderbilt
Otsego County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Village of Vanderbilt will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Village will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants